

VZCZCXRO8919
RR RUEHCHI RUEHDT RUEHHM RUEHNN
DE RUEHGP #1557/01 2360839
ZNR UUUUU ZZH
R 240839Z AUG 07
FM AMEMBASSY SINGAPORE
TO RUEHC/SECSTATE WASHDC 3838
INFO RUCNASE/ASEAN MEMBER COLLECTIVE

UNCLAS SECTION 01 OF 02 SINGAPORE 001557

SIPDIS

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [SOCI](#) [PGOV](#) [ECON](#) [EFIN](#) [SN](#)
SUBJECT: PM ADDRESSES WELFARE OF THE ELDERLY

REF: A. SINGAPORE 1404

[1](#)B. SINGAPORE 108
[1](#)C. 06 SINGAPORE 1289

[1](#)1. (SBU) Summary: Prime Minister Lee Hsien Loong used his August 19 National Day Rally speech primarily to highlight the government's growing concern for the welfare of the elderly and the widening income gap. He announced a number of new measures to address these issues, including through strengthening the retirement system and making it easier for the elderly to access equity in their government-built housing. He also indicated the GOS would launch an additional state-sponsored university to take pressure off the existing three. Most of the new measures appear designed to be seen as responsive to concerns about declining living standards for the elderly and others living on the margins of Singapore's competitive, and expensive, economy. However, in keeping with its "no free lunch" philosophy, the government opted to shore up the savings of the elderly with the existing forced-savings retirement system, rather than assume a greater financial burden for their care by moving to a true social security system. End Summary.

Modifying the Retirement System

[1](#)2. (U) In his August 19 National Day Rally speech (comparable to the State of the Union address), Prime Minister Lee Hsien Loong announced a number of new measures to strengthen Singapore's retirement system. PM Lee proposed increasing the interest rate earned on Singaporean's Central Provident Fund (CPF) deposits (from 2.5 percent to 3.5 percent) and raising the age limit at which the funds could be accessed. The PM also suggested the GOS would require workers to purchase an annuity with part of their CPF funds. The GOS plans to gradually raise the mandatory retirement age from 62 to 65 by 2018, which would allow Singaporeans to work longer and save more for retirement.

[1](#)3. (U) Given Singapore's aging population and low birth rate, the retirement system is beginning to show signs of strain. The GOS does not provide a Social Security-like pension for the elderly; Singaporean workers (and employers) contribute to a compulsory savings program -- the CPF -- which is supposed to provide for them in retirement. However, when the CPF was established, the average life expectancy in Singapore was 62; life expectancy is now 80. A retiree's account can and increasingly frequently does run out of money, and the GOS recognizes that individual CPF accounts will not be sufficient for a growing number of retirees.

Housing Policy Changes

[1](#)4. (U) PM Lee also introduced a program similar to a reverse mortgage that would allow some retirees to remain in their homes longer and tap their housing equity by offering a lump

sum payout followed by monthly payments for 30 years, effectively supplementing retirement income in exchange for the title to their property. In addition, to assist lower income home buyers in a skyrocketing real estate market, the GOS plans to increase the maximum housing grant for first-time buyers of government-built housing by SGD10,000 (USD 6,600) to SGD30,000 (USD 19,800) and increase the maximum qualifying monthly income by SGD1,000 (USD 660).

Refining the Housing Upgrade Tool

15. (U) PM Lee announced that future neighborhood renewal programs and housing upgrade plans will offer more flexibility to homeowners by: providing "town hall" discussions of proposed neighborhood improvements; planning projects on the basis of two or more districts so that resources could be pooled; and increasing the number of newer housing estates eligible for upgrading. The vast majority of Singaporeans live in government-built and managed apartment blocks, which individuals then purchase. Future home improvement programs would allow homeowners to pay between 5 and 12.5 percent of the total bill for the upgrades and would now allow homeowners to pay less in order to opt out of some planned improvements. (Comment: In previous elections, PM Lee's People's Action Party has offered to provide subsidized housing estate upgrades to districts that voted for it and threatened that districts that voted for the opposition would be "last in line" for upgrades. The utility of this electoral tool has declined over time as many voters found the upgrades too expensive or not worthwhile. The new opt out proposal would likely make the announcement more appealing than it has been in the past. End Comment.)

New University in the Works

SINGAPORE 00001557 002 OF 002

16. (U) PM Lee said the GOS is planning to establish a fourth public university in an attempt to accommodate the increasing number of students interested in attending college. A panel will be set up to study different university models and make a recommendation next year on which models would be most appropriate. Singapore currently has three state-sponsored universities that provide space for only 23.5 percent of secondary school graduates; the GOS wants to increase the number to 30 percent. Due to enrollment caps at the local universities, some Singaporean students are forced to go to colleges overseas. No further details were offered.

Comment

17. (SBU) The PM introduced no major policy departures in his speech and only made minor modifications to existing programs. Nonetheless, his focus on the welfare of the elderly reflects government concern about the increasing cost of living in Singapore and the inadequate savings of the elderly. The GOS does not want to assume the financial burden of caring for the elderly, but recognizes that it must take some action to forestall public pressure on it to do so. In keeping with its "no free lunch" philosophy, however, the GOS combined its small increase in CPF interest rates (from a modest base) with measures making it harder for Singaporeans to access their retirement accounts.

Visit Embassy Singapore's Classified website:
<http://www.state.sgov.gov/p/eap/singapore/ind ex.cfm>
HERBOLD